

## Message Text

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ACTION AID-59

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FM AMEMBASSY AMMAN  
TO SECSTATE WASHDC IMMEDIATE 9918

C O N F I D E N T I A L AMMAN 7416

PASS AID

E.O. 11652: GDS  
TAGS EAID JO US  
SUBJECT: FY 1978 SECURITY ASSISTANCE LEVEL-- CONGRESSIONAL  
PRESENTATION LEVEL

REF: (A) STATE 304151, (B) STATE 306381

1. EMBASSY IS CONCERNED OVER GOJ REACTION TO PROPOSED CUT IN  
SA FOR JORDAN IN FY 78 FROM \$77.5 MILLION TO \$60 MILLION  
FIGURE IN REF A ASIDE FROM QUESTION OF INTERIM QUARTER  
ASSISTANCE, WHICH WAS FORTHCOMING TO ALL MIDEAST COUNTRIES,  
AS DEPT AND AID ARE AWARE, GOJ HAS BEEN ANTICIPATING THAT  
LEVEL OF U.S. ECONOMIC ASSISTANCE DURING PERIOD OF ITS  
CURRENT 5-YEAR PLAN WILL BE ROUGHLY AT \$75 MILLION LEVEL  
ANNUALLY.

2. WE ANTICIPATE THAT 1977 IS GOING TO BE "POLITICAL  
YEAR" IN THE MIDEAST FOLLOWING THE U.S. ELECTIONS AND  
WITH ARAB EXPECTATIONS HIGH OVER RESUMPTION OF ARAB-  
ISRAELI NEGOTIATIONS. JORDANIAN GOVERNMENT, WHOSE  
MODERATE POLICY IS IMPORTANT TO THE PEACE PROCESS, WILL, LIKE  
OTHERS IN THE AREA, BE LOOKING FOR SIGNS OF CONTINUING U.S.  
COMMITMENT TO HIGH LEVEL OF INVOLVEMENT IN THE AREA AND AID  
LEVELS WILL BE ONE OF THE IMPORTANT INDICES. WE THEREFORE  
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FEAR THAT AID CUT MAY BE PERCEIVED AS A SIGNAL OF SOME  
FLAGGING U.S. INTEREST, OR EVEN POSSIBLY SIGN OF U.S.  
DISAPPROVAL OF SUCH FACTORS AS GROWING MOMENTUM OF JORDAN'S  
STEADY RAPPROCHEMENT WITH SYRIA.

3. JORDAN IS PARTICULARLY SENSITIVE TO POLITICAL ISSUES

AT PRESENT TIME BECAUSE OF ITS UNCERTAINTIES OVER ATTITUDE OF INCOMING U.S. ADMINISTRATION TO JORDAN AND ITS PLACE IN MIDEAST NEGOTIATIONS. MOVES IN ARAB WORLD TO PUSH PLO FORWARD INTO NEGOTIATION INEVITABLY CAUSE WORRIES IN JORDAN THAT IT MAY COME TO OCCUPY LESS IMPORTANT PLACE IN U.S. MIDEAST STRATEGY. MAINTAINING STATUS QUO ON AID IS ONE WAY TO REASSURE JORDANIANS, PROMOTE STABLE AND MODERATE ATTITUDES DURING PERIOD OF TRANSITION IN U.S. ADMINISTRATION, AND TO HELP ASSURE COOPERATIVE JORDANIAN ATTITUDES DURING PERIOD WHEN NEW ADMINISTRATION WILL BE LOOKING AT STRATEGIES ON MIDEAST ISSUE.

4. JORDANIANS HAVE A SERIOUS CY 1976 BUDGET DEFICIT WHICH HAS CAUSED THEM TO ASK US TO INCREASE, NOT DECREASE, OUR ASSISTANCE. EVEN WITH THE \$51 MILLION IN INTERIM QUARTER BUDGET SUPPORT, THE GOJ NOW ESTIMATES THE FINAL DEFICIT FOR CY 1976 WILL BE \$70-80 MILLION, MOST OF WHICH WILL BE NECESSARILY THROUGH GOJ BUDGET PRACTICE CARRIED OVER INTO CY 1977 BUDGET (AND, AS SUCH, MAKE CLAIMS ON FY 1978 U.S. BUDGET SUPPORT). (KING HAS BEEN IN LAST WEEK CANVASSING ARAB STATES FOR SUPPORT AND IS MAKING TRIP TO QATAR AND ABU DHABI TODAY TO SEE IF HE CAN GET ARAB HELP TO REDUCE DEFICIT TO MANAGEABLE SIZE.) WE CAN ALSO EXPECT JORDANIANS TO ASK INCOMING U.S. ADMINISTRATION AT LEAST TO RESTORE CUT IN FY 78 FUNDS, EVEN THOUGH THIS IS NOT THE KIND OF AN ISSUE THE JORDANIANS WILL WISH TO BRING UP AT AN EARLY STAGE OF GOJ RELATIONS WITH A NEW ADMINISTRATION.

5. EMBASSY NOTES FROM PARA 1 REFTTEL THAT THERE WILL BE "PROPORTIONALTE CUTS" IN ALL MIDEAST ASSISTANCE PROGRAM.  
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REDUCING JORDAN'S PROGRAM FROM \$77.5 MILLION TO \$60 MILLION IS ABOUT A 25 PERCENT CUT. WE ASSUME THEREFORE A 25 PERCENT CUT IN ALL MIDEAST PROGRAMS WILL BE AFFECTED. IF NOT, JORDANIANS WILL FIND FURTHER POLITICAL PROBLEMS WITH THE CUT. WE ALSO WISH TO CALL ATTENTION TO FACT THAT NOT ONLY JORDAN BUT THE OTHER MIDEAST COUNTRIES ALSO RECEIVED INTERIM QUARTER AID IN EITHER ECONOMIC OR MILITARY ASSISTANCE. IF, NOTWITHSTANDING OUR RESERVATIONS, CUTS ARE TO BE MADE IN THE JORDAN PROGRAM, WE URGE THAT PRINCIPLE OF PROPORTIONALITY WITH OTHER MIDEAST COUNTRIES BE SCRUPULOUSLY OBSERVED AND SO PRESENTED TO JORDANIANS.

6. IF SSA LEVEL FOR FY 1978 IS CUT TO \$60 MILLION AMBASSADOR STRONGLY RECOMMENDS (WITHOUT OF COURSE AGREEING THAT SUCH CUTS WILL NOT CAUSE PROBLEMS NOTED ABOVE) THAT BUDGET SUPPORT LEVEL BE NO LOWER THAN \$40 MILLION, WITH PROJECT ASSISTANCE LEVEL AT \$20 MILLION. GOJ WILL BE EXTREMELY UNHAPPY WITH \$60 MILLION OVERALL FIGURE AND WILL UNDOUBTEDLY IN SUCH

CASE WISH TO MAXIMIZE BUDGET SUPPORT PORTION. AT SAME TIME, GOJ IS AWARE OF OUR STRATEGY AIMING AT ROUGHLY A \$5 MILLION ANNUAL REDUCTION IN BUDGET SUPPORT AND, GIVEN EXPECTED JORDANIAN BUDGET DIFFICULTIES, WE WOULD HAVE SIGNIFICANT DIFFICULTY REDUCING FY 9178 LEVEL BELOW \$40 MILLION-- \$5 MILLION LESS THAN FY 1977 BUDGET SUPPORT LEVEL OF \$45 MILLION CONCERNING WHICH WE HAVE ALREADY INFORMED THE GOJ.

7. WHILE RECOMMENDING A \$20 MILLION LEVEL FOR THE DEVELOPMENT PROGRAM OF THE FY 1978 CPD, BECAUSE OF SOME COST AND PROJECT UNCERTAINTIES WE WOULD LIKE AT A LATER DATE TO PRESERVE SOME FLEXIBILITY TO ADJUST THE EXACT LEVEL OF OUR AID PROJECTS BY AS MUCH AS \$2 MILLION IN EITHER DIRECTION. HOWEVER, WE FEEL THE \$40-20 MILLION SPLIT NOTED ABOVE IS THE CURRENT BEST JUDGEMENT FROM HERE ON WHAT SHOULD BE DONE WITH A \$60 MILLION PROPOSED FIGURE FOR FY 1978.

8. BASED ON PRIORITY NEEDS OF GOJ AND OBJECTIVES OF OUR  
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DEVELOPMENT PROGRAM, MISSION RECOMMENDS \$20 MILLION DEVELOPMENT PROGRAM FOR FY 1978 CONTAIN FOLLOWING ELEMENTS:

A) TA GRANTS TALLING \$5 MILLION. ONLY CHANGE FROM OUR CP SUBMISSION IS DECREASING ADULT VOCATIONAL TRAINING BY \$500 THOUSAND. THIS PROJECT IS GOING TO MOVE SLOWLY AND \$1 MILLION IN FY 1978 WILL PROBABLY BE SUFFICIENT.

B) LOANS TALLING \$15 MILLIN. THIS WOULD INCLUDE VILLAGE DEVELOPMENT II AT \$5 MILLION AS WHOWN IN CP SUBMISSION; AQABA WATER & SEWAGE AT \$7 MILLION, UP \$1 MILLION FROM CP SUBMISSION, AND A NEW LOAN PROJECT OF \$3 MILLION TO PROVIDE CREDIT TO THE JORDAN CALLEY FARMERS ASSOCIATION. IN THE PST SEVERAL WEEKS, AND PARTLY AS RESULT OF JVC DONORS' CONFERENCE, IT HAS BECOME INCREASINGLY CLEAR TO US THAT THE PAY-OFF FOR OUR ENORMOUS INVESTMENT IN INFRA-STRUCTURE IN THE VALLEY WILL DEPEND ON THE SUCCESS OF THE FARMERS ASSOCIATION. THIS SUCCESS WILL BE A FUNCTION OF THE ABILITY OF THE ASSOCIATION TO MEET THE PRESSING NEEDS OF THE SMALL FARMERS. CREDIT WILL BE A PRIME INGREDIENT, AND IT NOW APPEARS THAT NO OTHER DONOR IS WILLING TO PUT UP THE MONEY. IF AID/W PREFERRED, WE COULD FOLD THIS UNDER VILLAGE/DEVELOPMENT II RATHER THAN MAKING IT A SEPARATE PROJECT.

9. AT THE \$15 MILLION LOAN LEVEL, SCHOOL CONSTRUCTION II AND ROAD CONSTRUCTION II WOULD DROP OUT, AS WOULD AMMAN WATER. THE CURRENT SCHOOL CONSTRUCTION PROJECT IS EXPERIENCING PROBLEMS AND WE ARE NOT VERY ENTHUSIASTIC ABOUT A SECOND PROJECT IN THAT FIELD IN ANY CASE. ALTHOUGH ROADS II IS A FEASIBLE PROJECT, IT IS NOT AS ATTRACTIVE AS THE PROJECTS WE PROPOSE BE ASSISTED AT THE \$15 MILLION LOAN

LEVEL. AMMAN WATER HAS OBVIOUS APPEAL IN THE ABSTRACT, BUT  
CONSIDERABLE TECHNICAL DIFFICULTIES RECOGNIZED IN REF B.  
SHOULD THE LOAN LEVEL LATER MOVE TO A TOTAL OF \$17 MILLION,  
WE WOULD PROBABLY RAISE VILLAGE DEVELOPMENT TO \$7 MILLION  
TO INCREASE NUMBER OF VILLAGES TO BE BENEFITED AND EXPAND  
SERVICES TO MEET PROJECTED GROWTH OF VILLAGES INCLUDED  
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IN VILLAGE DEVELOPMENT I PROJECTS.  
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## Message Attributes

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